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Section 285.305

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K  
ANNUAL REPORT PURSUANT TO SECTION 13 or 15 (d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1998

Commission File  
number 1-6659

PHILADELPHIA SUBURBAN CORPORATION  
(Exact name of registrant as specified in its charter)

Pennsylvania  
(State or other jurisdiction of  
incorporation or organization)

23-1702594  
(I.R.S. Employer Identification No.)

762 W. Lancaster Avenue, Bryn Mawr, Pennsylvania  
(Address of principal executive offices)

19010-3489  
(Zip Code)

Registrant's telephone number, including  
area code:

(610)-527-8000

Securities registered pursuant to Section  
12(b) of the Act:

Title of each class  
Common stock, par value \$.50 per share

Name of each exchange on  
which registered  
New York Stock Exchange, Inc.  
Philadelphia Stock Exchange Inc.

Securities registered pursuant to Section  
12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K. ☐

The aggregate market value of the voting stock held by non-affiliates of the registrant as of March 11, 1999. \$721,807,021

For purposes of determining this amount only, registrant has defined affiliates as including (a) the executive officers named in Part I of this 10-K report, (b) all directors of registrant, and (c) each shareholder that has informed registrant by March 11, 1999, that it has sole or shared voting power of 5% or more of the outstanding common stock of registrant.

The number of shares outstanding of each of the registrant's classes of common stock as of March 11, 1999. 40,812,334

Documents incorporated by reference

(1) Portions of registrant's 1998 Annual Report to Shareholders have been incorporated by reference into Parts I and II of this Form 10-K Report.

(2) Portions of the Proxy Statement, relative to the May 20, 1999 annual meeting of shareholders of registrant, to be filed within 120 days after the end of the fiscal year covered by this Form 10-K Report, have been incorporated by reference into Part III of this Form 10-K Report.

## PART I

### Item 1. Business

Philadelphia Suburban Corporation ("PSC" or the "Registrant"), a Pennsylvania corporation, was incorporated in 1968. The information appearing in "Management's Discussion and Analysis" from the portions of PSC's 1998 Annual Report to Shareholders filed as Exhibit 13.6 to this Form 10-K Report is incorporated by reference herein.

The business of PSC is conducted almost entirely through its subsidiary Philadelphia Suburban Water Company ("PSW"), a regulated public utility. PSW supplies water to approximately 300,000 residential, commercial, industrial and public customers. PSW's service territory covers 481 square miles, comprising a large portion of the suburban area west and north of the City of Philadelphia. This territory is primarily residential in nature and is completely metered for water service, except for fire hydrant service. In addition, PSW provides water service to approximately 6,600 customers through an operating and maintenance contract with a municipal authority which is contiguous to its service territory. Based on the 1990 census, PSW estimates that the total number of persons currently served is approximately 1,000,000. Excluding the customers that were added at the time of acquisitions in the last three years, customer accounts have grown at an average annual rate of approximately 1.1% for the last three years. Including acquisitions, the customer base increased at an annual compound growth rate of 4.3% over the last three years.

Operating revenues during the twelve months ended December 31, 1998 were derived approximately as follows:

65.4%	from residential customers
21.7%	from commercial customers
4.3%	from industrial customers
1.4%	from public customers
6.2%	from fire protection services
1.0%	from sales to other water utilities and miscellaneous customers
<u>100.0%</u>	

On March 10, 1999, the Company and Consumers Water Company ("Consumers") completed a merger with and into a wholly-owned subsidiary of the Company. The merger was effected pursuant to the June 27, 1998 merger agreement, which was amended and restated by the parties effective as of August 5, 1998. The merger was completed after the transaction received the approvals from the state utility commissions in each state in which the companies operate. The shareholders of each company approved the merger at special meetings held on November 16, 1998. Pursuant to the merger agreement, the Company issued 13,014,015 shares of common stock in exchange for all of the outstanding stock of Consumers. Consumers common shareholders received 1.432 shares of the Company's Common Stock for each Consumers common share and Consumers preferred shareholders received 5.649 shares of the Company's Common Stock for each preferred share. The merger will be accounted for as a pooling-of-interests under Accounting Principles Board Opinion No. 16. Consumers serves approximately 226,000 customers in service territories covering parts of Pennsylvania, Ohio, Illinois, New Jersey and Maine. Because the merger was not completed until after December 31, 1998, the financial information, operating data and discussions contained in this report, unless indicated or captioned otherwise, relate to the Company without consideration to the impact of the merger.

During 1998, PSW made the following acquisitions and obtained related service territory rights: in January, the water utility assets of West Chester Area Municipal Authority; in April, the water system assets of Brandywine Hospital; in June, the Flying Hills Water Company; and in November, the water system assets of the Greenhills Corporate Center. The systems acquired in 1998 incorporate 17 square miles of service area contiguous or near PSW's existing territory. The total purchase price for the four water systems acquired in 1998 was \$24,498,000 in cash and 42,000 shares of the Company's Common Stock. The annual revenues from these systems approximate \$4,800,000, and revenues included in the consolidated financial statements during the period owned by PSW were \$4,627,000. During 1998, PSW entered into a long-term water

Item 1, Continued

sale agreement and an agreement with a local township to serve a one square mile territory: in March, PSW entered into a 25-year water sale agreement with Warwick Township Water and Sewer Authority for the sale of water to supplement its water supply; and in April, PSW entered into an agreement with Bensalem Township, Bucks County to provide water service to a new development in the Township. Once fully developed over time, the annual revenues from these agreements are anticipated to approximate \$500,000.

Since December 1992, PSW has acquired 25 local water systems and two small wastewater utilities. During 1997, PSW made the following acquisitions and obtained related service territory rights: in January, the water utility assets of Cherry Water Company; in September, the water utility assets of Perkiomen Township Authority; and in September, both the water and wastewater utility assets of the Peddler's View Utility Company. During 1996, PSW made the following acquisitions and obtained related service territory rights: in October, the water utility assets of Hatboro Borough Authority; in November, Utility Group Services Corporation ("UGS") which owned three water utilities and a wastewater utility; in December, the water utility assets of Bristol Borough Water and Sewer Authority; and at various times during 1996 the water utility assets of three smaller water systems. During various times in 1995, 1994, 1993, and 1992 PSW acquired the water utility assets of ten water systems. Combined, the 21 water systems and two wastewater systems acquired since December 1992 and prior to 1998 added 136 square miles of service territory near or adjacent to PSW's service territory and had revenues of \$17,886,000 in 1998.

Item 1, Continued

Selected operating statistics. Set forth below is a table showing certain selected operating statistics for PSW for the past three years.

	1998	1997	1996
Revenues from water sales (000's omitted)			
Residential	\$ 96,244	\$ 87,783	\$ 79,056
Commercial	32,029	27,807	26,504
Industrial	6,297	5,126	4,823
Public	2,108	1,496	1,373
Fire protection	9,096	8,323	8,140
Other	1,442	995	438
Tax Surcharge (credit)	(101)	-	(1)
Distribution System Improvement Charge	229	1,104	-
Total	\$ 147,344	\$ 132,634	\$ 120,333
Water sales (million gallons)			
Residential	19,941	19,142	17,228
Commercial	9,313	8,819	8,236
Industrial	2,471	2,302	1,768
Public	496	396	354
Fire protection - metered	69	73	84
Other	821	750	25
Total	33,111	31,482	27,695
System delivery by source (million gallons)			
Surface (including Upper Merion reservoir)	31,438	29,470	27,278
Wells	6,237	6,378	5,136
Purchased	2,025	2,023	2,055
Total	39,700	37,871	34,469
Number of metered customers (end of year)*			
Residential	278,436	268,550	265,746
Commercial	15,032	13,512	13,422
Industrial	744	708	716
Public	919	823	797
Fire protection	4,710	3,911	3,449
Other	9	12	11
Total	299,850	287,516	284,141
Average consumption per customer in gallons	112,745	110,143	103,206

\* Excludes customers served under operating and maintenance contracts.

Item 1, Continued

Water supplies and usage. PSW's principal supply of water is surface water from the Schuylkill River, Delaware River, eight rural streams which are tributaries of the Schuylkill and Delaware Rivers, and the Upper Merion Reservoir, a former quarry now impounding groundwater. All of these are either within or adjacent to PSW's service territory. PSW holds the appropriate water rights and regulatory approvals to use these sources. PSW has six impounding reservoirs and has eight treatment and pumping facilities to provide storage and treatment of these surface water supplies.

The Pennsylvania Department of Environmental Protection ("DEP") has regulatory power with respect to sources of supply and the construction, operation and safety practices for certain dams and other water containment structures under the Pennsylvania Dam Safety and Encroachments Act. PSW's dams are in compliance with these requirements in all material respects.

PSW's surface supplies are supplemented by 61 wells. PSW also has interconnections with: the Chester Water Authority, which provides for a maximum supply of up to 6.75 million gallons per day ("mgd"); and the Bucks County Water and Sewer Authority, which provides for a supply of up to 7.0 mgd. Agreements regarding these interconnections require PSW to purchase certain minimum amounts of water.

PSW believes it possesses all the necessary permits to obtain its supply of water from all of the sources described above. The minimum safe yield of all sources of supply described above, based on low stream flows of record with respect to surface supplies, is as follows:

Surface supplies	119.3 mgd
Wells	23.7
Purchased supplies	8.5
Total	<u>151.5 mgd</u>

During periods of normal precipitation, the water available is more than the minimum shown above. Under normal operating conditions, PSW can deliver a maximum of 175.9 mgd to its distribution system for short periods of time. The average daily sendout for 1998, 1997 and 1996 was 108.8, 103.8 and 94.2 mgd, respectively.

The maximum demand ever placed upon PSW's facilities for one month occurred during August 1998, when sendout averaged 121.7 mgd. The peak day of record occurred during July 1997 when water use reached 142.5 mgd.

Actual water usage (as measured by the water meters installed at each service location) is less than the amount of water delivered into the system due to leaks, PSW's operational use of water, fire hydrant usage and other similar uses. Water consumption per customer is affected by local weather conditions during the year. In general, during the late spring and summer, an increase in rainfall reduces water consumption, while extended periods of dry weather increases consumption. Also, an increase in the average temperature generally causes an increase in water consumption.

Energy supplies. PSW does all of its pumping using electric power and energy supplies have been sufficient to meet PSW's customer demand. In December 1996, the Governor of Pennsylvania signed into law the Electricity Generation Customer Choice and Competition Act ("Electric Act") which provides for the restructuring of the electric utility industry in Pennsylvania. The Electric Act requires the unbundling of electric services into separate generation, transmission and distribution services with open competition for generation. PSW has negotiated an electric supply contract with a provider and believes that the provider has the resources and supply adequate to meet PSW's demand.

Adequacy of water supplies. The Delaware River Basin, which is the drainage area of the Delaware River from New York State to Delaware, periodically experiences water shortages, particularly during the summer months. To the extent that the reservoirs in the upper part of the Basin are affected by a lack of precipitation, the Delaware River Basin Commission (the "DRBC") may impose either voluntary or mandatory water use restrictions on portions or all of the Basin. The Commonwealth of Pennsylvania (the "Commonwealth") also has the authority to impose similar restrictions on a county-by-county basis.

PSW's raw water supplies have been adequate to meet customer demand for the past five years principally because of its six impounding reservoirs. However, PSW's customers may be required to comply with the Commonwealth and DRBC water use restrictions, even if PSW's supplies are adequate.

In December 1998 and October 1997, the DRBC issued drought warnings for the Delaware River Basin which includes PSW's service territory. The DRBC lifted the drought warnings in February 1999 and January 1998, respectively. Under a drought warning, the DRBC asks for voluntary restrictions on water use, particularly non-essential uses of water. In September 1995, the Governor of the Commonwealth declared a drought emergency in the counties served by PSW. The drought emergency imposed a mandatory ban on all nonessential water usage by PSW's customers. The drought emergency was lifted by the end of 1995. Because these actions were issued at times other than the summer months, when nonessential and recreational use of water has traditionally declined, the restrictions did not have a significant impact on PSW revenues. Throughout the drought warnings and drought emergency described above, PSW maintained adequate storage levels of treated water and had sufficient quantities of raw water. No other drought restrictions were imposed by the Commonwealth or DRBC in the preceding five years.

Regulation by the Pennsylvania Public Utility Commission. PSW is subject to regulation by the Pennsylvania Public Utility Commission ("PUC") which has jurisdiction with respect to rates, service, accounting procedures, issuance of securities, acquisitions and other matters.

Under applicable Pennsylvania statutes, PSW has rights granted under its Articles of Incorporation and by certificates of public convenience from the PUC authorizing it to conduct its present operations in the manner in which such operations are now conducted and in the territory in which it now renders service, to exercise the right of eminent domain and to maintain its mains in the streets and highways of such territory. Such rights are generally nonexclusive, although it has been the practice of the PUC to allow only one water company to actually provide service to a given area. Consequently, PSW has been subject to competition only with respect to potential customers who also may have access to the service of another water supplier, wells, or where other water service opportunities exist (including non-utility companies with riparian rights or access to an adequate supply from a neighboring facility).

In 1993, the PUC initiated a rulemaking procedure intended to facilitate the development of practical standards by which water mains should be extended to "bona fide service applicants", typically existing homes or businesses in need of a reliable public water supply. In December 1995, the PUC issued a final rulemaking, reflecting the position that the primary costs of such extensions should be supported by anticipated revenues and borne by the utility. Generally, construction costs beyond those supported by anticipated revenues must be borne by the applicant. The formula used to determine a utility's investment requires that revenues from the bona fide service applicant offset the interest, depreciation and incremental operating expense associated with the investment. Under the rule, PSW is required to invest \$4,000 per bona fide service applicant in a main extension prior to requiring any customer contribution.

In 1996, the PUC approved a mechanism, the Distribution System Improvement Charge ("DSIC"), which allows Pennsylvania water utilities to add a surcharge to their water bills to offset the additional depreciation and capital costs associated with certain non-revenue producing, non-expense reducing capital expenditures related to replacing and rehabilitating distribution systems. The DSIC mechanism is intended to eliminate many of the disincentives faced by water utilities in rehabilitating their distribution systems. These disincentives, often referred to as regulatory lag, are due to the rate making process which, prior to the establishment of the DSIC mechanism, required water utilities to absorb all of the depreciation and capital costs of these projects between base rate increases without the benefit of additional revenues. The DSIC may be adjusted quarterly based on additional qualified capital expenditures made in the previous quarter, but may never exceed 5% of the base rates in effect. The PUC limits use of the DSIC to periods when a company's return on equity is less than a benchmark it establishes each quarter. The DSIC is reset to zero when new base rates that reflect the costs of those additions become effective.

Water Quality & Environmental Issues. PSW is subject to regulation of water quality by the U.S. Environmental Protection Agency ("EPA") under the Federal Safe Drinking Water Act (the "SDWA") and by the Pennsylvania Department of Environmental Protection ("DEP") under the Pennsylvania Safe Drinking Water Act. The SDWA provides for the establishment of minimum water quality standards, as well as governmental authority to specify the type of treatment process to be used for public drinking water. PSW is presently in compliance with all current standards and treatment requirements promulgated to date.

The EPA has an ongoing directive to issue additional regulations under the SDWA. The directive was clarified in 1986 when Congress amended the SDWA to require, among other revisions, disinfection of all drinking water, additional maximum contaminant level ("MCL") specifications, and filtration of all surface water supplies. PSW has already installed the necessary equipment to provide for the disinfection of the drinking water throughout the system and is monitoring for the additional specified contaminants. All PSW's surface water supplies are filtered.

On August 6, 1996, the President signed into law the reauthorization of the SDWA. The new Act places a greater emphasis on the cost/benefit of regulating additional substances by requiring definitive research on the impact of such regulations. The reauthorized SDWA focuses regulations on contaminants known to be of public health concern based on occurrence, health risks and cost benefit considerations. The new Act eliminated the previous requirement of the 1986 SDWA Amendments that had required the EPA to promulgate MCL's for many chemicals not previously regulated and mandated further MCL's every three years. The new Act also specifies that the EPA shall study radon, arsenic and sulfates and propose respective rulemakings in 1999, 2000 and 2001 if these chemicals are deemed to be a threat to public health. The reauthorized SDWA is not expected to have a material impact on PSW's operations or financial condition. PSW may, in the future, have to change its method of treating drinking water at certain of its sources of supply if additional regulations become effective.

In 1991, EPA promulgated final regulations for lead and copper (the "Lead and Copper Rule"). Under the Lead and Copper Rule, large water utilities are required to conduct corrosion control studies and to sample certain high-risk customer homes to determine the extent of treatment techniques that may be required. PSW conducted the two required rounds of sampling in 1992 and again in 1997. The results of both studies did not exceed the EPA action levels for either lead or copper. Additional sampling will be required in the future. PSW has developed a corrosion control program for its surface sources of supply and does not foresee the need to make any major additional treatment changes or capital expenditures as a result of the Lead and Copper Rule.

On January 1, 1993, federal regulations ("Phase II") became effective for certain volatile organics, herbicides, pesticides and inorganic parameters. All required Phase II monitoring was completed in 1995. In the few cases where Phase II contaminants were detected, concentrations were below MCL's. Future monitoring will be required, but no major treatment modifications are anticipated as a result of these regulations.

In May 1996, the EPA issued the first rule of a three-rule package addressing Disinfection By-Products ("DBP") and monitoring of disease-causing micro-organisms. DBP's are chemicals formed during the drinking water treatment process. The first rule is an Information Collection Rule ("ICR") designed to collect data to be used in developing further rules. As required, PSW began sampling under the requirements of the ICR in July 1997 and completed the ICR phase in December 1998. Studies by the EPA on the data collected may result in new treatment standards and processes. In December 1998, the EPA issued additional rules concerning DBP and PSW meets the requirements of these new rules.

PSW is also subject to other environmental statutes administered by the EPA and DEP. These include the Federal Clean Water Act ("FCWA") and the Resource Conservation and Recovery Act ("RCRA"). Under the FCWA, the Company must obtain National Pollutant Discharge Elimination System ("NPDES") permits for discharges from its water treatment stations. PSW currently maintains six NPDES permits relating to its water treatment plants, which are subject to renewal every five years. PSW presently meets all NPDES requirements. Although management recognizes that permit renewal may become more difficult if more stringent guidelines are imposed, no significant obstacles to permit renewal are presently foreseen.

## Item 1, Continued

Under RCRA, PSW is subject to specific regulations regarding the solid waste generated from the water treatment process. The DEP promulgated a "Final Rulemaking" for solid waste (Residual Waste Management) in July 1992. PSW obtained the permits for its three residual waste disposal sites in accordance with regulatory requirements. The terms of the permits are for a period of ten years and the renewals are due in 2008.

PSW operates the Little Washington Wastewater Company ("LWW"), a wastewater utility which serves approximately 500 customers in two service territories that are located within the service territory of PSW. LWW is subject to regulation by the EPA and DEP, and is subject to environmental statutes, including FCWA and RCRA. LWW currently maintains permits for its wastewater treatment stations in accordance with FCWA and is presently in compliance with all standards and treatment requirements promulgated to date.

Where PSW is required to make certain capital investments in order to maintain its compliance with any of the various regulations discussed above, it is management's belief that all such expenditures would be fully recoverable in PSW's rates. However, under current law, such capital investments would have to be financed prior to their inclusion in PSW's rate structure, and the resulting rate increases would not necessarily be timely.

### Year 2000

#### Overview

The Company is actively pursuing a Year 2000 Program (the "Program"). The objective of the Program is to provide reasonable assurance that the Company's critical systems and processes that impact the Company's ability to deliver water to its customers will not experience significant interruptions that would interfere with such water service or result in a material business impairment that would have an adverse impact to the Company's operations, liquidity or financial condition as a result of the Year 2000 issue. For purposes of the Program, the Year 2000 issue is defined as whether information technology accurately processes date and time data from, into and between the twentieth and twenty-first centuries, and the years 1999 and 2000 and leap year calculations. The Company's systems and processes being reviewed include: (i) internal systems and processes, consisting of software, databases, information technology hardware and imbedded microprocessors; and (ii) relationships with third parties. The Program involves a systematic approach to the Year 2000 issue consisting of the following steps: (i) inventorying the component elements of the Company's systems and processes; (ii) assessing whether there are Year 2000 issues with such systems and processes; (iii) remediation of systems and processes that are identified as having Year 2000 issues; (iv) testing the remediation measures that are implemented; and (v) developing contingency plans. In addition to the Company's Program, the PUC has instituted a formal proceeding for the purpose of determining all matters concerning Year 2000 compliance of all jurisdictional fixed utilities, which would include the Company's primary subsidiary, PSW. The PUC is requiring that utilities affirmatively demonstrate that their mission-critical systems will be Year 2000 compliant by March 31, 1999 or provide the PUC with detailed contingency plans for the continuation of utility service throughout the transition from the twentieth to the twenty-first century, including leap year. PSW has responded to the PUC's initial questionnaire concerning Year 2000 compliance and intends to comply with the PUC's requirements.

#### The Company's State of Readiness

Internal Systems and Processes - The Company is evaluating its systems and processes based on a prioritization of the risks they pose to the overall objectives of the Program. Therefore, different systems and processes are in different phases of the overall Program. An inventory of all critical systems and processes was completed in November 1998. An assessment of Year 2000 issues for the Company's critical systems was completed in December 1998. As a result of the assessment, it was determined that none of the internal systems and processes directly related to the treatment and distribution of water to its customers would be significantly affected by the Year 2000 issue. Some financial and office systems may be affected and the remediation or replacement and testing of these systems has started. It is anticipated that remediation or replacement and testing of these systems will be completed by mid-1999.

Relationships with Third Parties - The Company's relationships with third parties that may be affected by the Year 2000 issue may be classified into three categories: customers; suppliers; and third party software vendors. Based on 1998 revenues, approximately 65% of the Company's revenues are from residential customers, 21% from commercial customers (consisting primarily of apartments, colleges,

## Item 1, Continued

hospitals, small businesses and municipalities), and 6% from fire protection services. It is not anticipated that water use by customers in these categories will be significantly affected by the Year 2000 issue. The Company's industrial customers represent approximately 4% of its total 1998 revenues and the Company intends to contact its largest industrial customers to determine whether they anticipate any adverse effect on their demand for water as a result of the Year 2000 issue. No single customer accounted for more than one percent of the Company's 1998 revenues. The Company has contacted its key suppliers to determine their Year 2000 compliance status and the responses received to date indicate that such suppliers are or intend to be Year 2000 compliant. Because of the substantial electric power requirements of the Company's water treatment and distribution systems, electric power supply may be the most critical supplier relationship. To date, the Company's electric supplier, which is also subject to the PUC's review, has indicated that it expects to be Year 2000 compliant by October 31, 1999. Third party vendors of critical software systems have been contacted regarding the compliance status of their software and either the vendors have represented that their software packages are compliant or the software is being remedied as part of the Company's Year 2000 Program.

### The Costs to Address the Company's Year 2000 Issues

The Company estimates its cost to date for its Year 2000 Program to be approximately \$3,200,000 which includes the costs to develop a new customer billing system that the Company is implementing to provide added capacity and capabilities. The Company presently estimates that it will spend an additional amount of approximately \$1,500,000 to bring all of its critical systems into compliance.

### The Risks of the Company's Year 2000 Issues

A material Year 2000 noncompliance could result in an interruption in, or failure of, certain normal business activities or operations. Such noncompliance could materially and adversely affect the Company's water service and results of operations, liquidity and financial condition. Because of the uncertainty inherent in the Year 2000 issue, due primarily from the uncertainty of the Year 2000 readiness of third party suppliers, the Company is unable to determine at this time whether the consequences of Year 2000 noncompliances will have a material impact on the Company. The Company's Year 2000 Program is expected to significantly reduce the Company's level of uncertainty about the Year 2000 issue and, in particular, about the Year 2000 compliance and readiness of its key vendors and suppliers. The Company believes that, with the completion of its Program, the possibility of significant interruptions of normal operations should be reduced.

### The Company's Contingency Plans

The Company is evaluating contingency plans in the event that any critical systems or processes or vendor relationships cannot be verified as Year 2000 compliant by March 1999. Contingency plans may also be developed for certain other critical systems, notwithstanding a determination of their Year 2000 compliance, if such systems would have a significant effect on the Company's ability to deliver water to its customers. The Company intends to complete its contingency planning process for its mission critical systems by March 1999.

### Forward-looking Statements

The statements in the Company's Year 2000 disclosure contain forward-looking statements and should be read in conjunction with the Company's disclosure under the "Forward-looking Statements" section "Management's Discussion and Analysis of Financial Condition and Results of Operations."

### Employee Relations

As of December 31, 1998, the Registrant employed a total of 542 full-time persons. Hourly employees of PSW are represented by the International Brotherhood of Firemen and Oilers, Local No. 473. The contract with the union expires on December 1, 2001. Management considers its employee relations to be good.

## Item 2. Properties.

The Registrant believes that the facilities used in the operation of its business are in good condition in terms of suitability, adequacy and utilization.

The property of PSW consists of a waterworks system devoted to the collection, storage, treatment and distribution of water in its service territory. Management considers that its properties are maintained in good operating condition and in accordance with current standards of good waterworks practice. The following table summarizes the principal physical properties owned by PSW:

Location	No. of Buildings	Description	Square Feet Floor Area
Pennsylvania	7	Office & warehouse	179,413
Pennsylvania	19	Pumping stations and treatment buildings	235,200
Pennsylvania	23	Well stations	Approx. 600 ea.
Pennsylvania	38	Well stations	Approx. 150 ea.
Pennsylvania	52	Booster stations	Approx. 1,100 ea.

In addition, PSW also owns 77 storage facilities for treated water throughout its service territory with a combined capacity of 167.54 million gallons and six surface water impounding reservoirs. The water utility also owns approximately 3,523 miles of transmission and distribution mains, has 299,850 active metered services and 14,388 fire hydrants.

PSW's properties referred to herein, with certain minor exceptions which do not materially interfere with their use, are owned by PSW and are subject to the lien of an Indenture of Mortgage dated as of January 1, 1941, as supplemented. In the case of properties acquired through the exercise of the power of eminent domain and certain properties acquired through purchase, it has title only for water supply purposes.

The Registrant's corporate offices are leased from PSW and located in Bryn Mawr, Pennsylvania.

## Item 3. Legal Proceedings

There are various legal proceedings in which the Company is involved. Although the results of legal proceedings cannot be predicted with certainty, there are no pending legal proceedings to which the Registrant or any of its subsidiaries is a party or to which any of their properties is the subject that present a reasonable likelihood of a material adverse impact on the Registrant.

Item 4. Submission of Matters to a Vote of Security Holders

Information with respect to the executive officers of the Company is contained in Item 10 hereof and is hereby incorporated by reference herein.

Results of Vote of Security Holders

The Special Meeting of Shareholders of PSC was held on November 16, 1998 at the headquarters of the Company, 762 W. Lancaster Avenue, Bryn Mawr, Pennsylvania, pursuant to the Notice sent on or about October 2, 1998 to all shareholders of record at the close of business on September 18, 1998. At that meeting, the shareholders were asked to act upon the following proposals:

1. Approval of the Amended and Restated Agreement and Plan of Merger, dated as of August 5, 1998 (the "Merger Agreement"), by and among PSC, Consumers Acquisition Company ("Acquisition") and Consumers Water Company ("Consumers"), providing for the merger of Consumers with and into Acquisition, a wholly-owned subsidiary of PSC.

For  
20,029,416

Against  
188,612

Abstentions  
177,946

2. Approval of an amendment to PSC's Articles of Incorporation increasing the authorized shares of PSC common stock, par value \$.50 per share from 40,000,000 to 100,000,000.

For  
18,675,085

Against  
1,511,642

Abstentions  
209,247

3. Approval of an amendment to PSC's 1994 Equity Compensation Plan (the "Equity Compensation Plan") to increase from 1,900,000 to 2,900,000, the aggregate authorized shares of the PSC Common Stock that may be issued or transferred under the Equity Compensation Plan and to adopt certain other amendments to the terms of the Equity Compensation Plan necessary for the issuance of options to holders of options to purchase Consumers Common Stock pursuant to the Merger Agreement.

For  
18,620,728

Against  
1,357,866

Abstentions  
417,380

## PART II

### Item 5. Market for the Registrant's Common Stock and Related Security Holder Matters

The Company's common stock is traded on the New York Stock Exchange and the Philadelphia Stock Exchange. As of March 11, 1999, there were approximately 20,642 holders of record of the Company's common stock.

The following selected quarterly financial data of the Company is in thousands of dollars, except for per share amounts:

	First	Second	Third	Fourth	Total Year
1998					
Operating revenues	\$ 34,276	\$ 37,341	\$ 41,656	\$ 37,704	\$150,977
Operations and maintenance	13,668	14,020	14,714	15,772	58,174
Net income available to common stock	5,706	7,435	9,022	6,461	28,624
Basic net income per common share	0.21	0.27	0.33	0.23	1.04
Diluted net income per common share	0.21	0.27	0.32	0.23	1.03
Dividend paid per common share	0.1625	0.1625	0.1700	0.1700	0.6650
Price range of common stock					
- high	25.75	22.56	28.19	30.06	30.06
- low	19.56	18.88	20.50	23.00	18.88
1997					
Operating revenues	\$ 31,021	\$ 33,315	\$ 36,754	\$ 35,081	\$136,171
Operations and maintenance	13,068	13,295	14,466	15,070	55,899
Net income available to common stock	4,460	5,778	7,323	5,432	22,993
Basic net income per common share	0.17	0.23	0.28	0.21	0.89
Diluted net income per common share	0.17	0.22	0.28	0.21	0.88
Dividend paid per common share	0.152	0.152	0.159	0.159	0.622
Price range of common stock					
- high	15.47	15.10	18.00	22.18	22.18
- low	11.72	11.44	14.07	15.10	11.44

High and low prices of the Company's common stock are as reported on the New York Stock Exchange Composite Tape.

Item 5, Continued

Following is a recent history of income from continuing operations and common dividends of the Company:

	Cash dividend per common share	Basic income per share from continuing operations	Dividend payout ratio
1994	\$ 0.55	\$ 0.68	81%
1995	0.57	0.75	76%
1996	0.59	0.79	75%
1997	0.62	0.89	70%
1998	0.67	1.04	64%

Dividends have averaged approximately 72% of income from continuing operations during this period. In 1998, the dividend rate increased by 4.6%. As a result, beginning with the dividend payable in September 1998, the annual dividend rate increased to \$.68 per share.

Item 6. Selected Financial Data

The information appearing in the section captioned "Summary of Selected Financial Data" from the portions of the Company's 1998 Annual Report to Shareholders filed as Exhibit 13.6 to this Form 10-K Report is incorporated by reference herein.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information appearing in the section captioned "Management's Discussion and Analysis" from the portions of the Company's 1998 Annual Report to Shareholders filed as Exhibit 13.6 to this Form 10-K Report is incorporated by reference herein.

Item 8. Financial Statements and Supplementary Data

Information appearing under the captions "Consolidated Statements of Income", "Consolidated Balance Sheets", "Consolidated Cash Flow Statements", "Consolidated Statements of Capitalization" and "Notes to Consolidated Financial Statements" from the portions of the Company's 1998 Annual Report to Shareholders filed as Exhibit 13.6 to this Form 10-K Report is incorporated by reference herein. Also, the information appearing in the section captioned "Reports on Financial Statements" from the portions of the Company's 1998 Annual Report to Shareholders filed as Exhibit 13.6 to this Form 10-K Report is incorporated by reference herein.

Item 9. Disagreements on Accounting and Financial Disclosure

None.

### PART III

#### Item 10. Directors and Executive Officers of the Registrant

##### Directors of the Registrant

The information appearing in the section captioned "Information Regarding Nominees and Directors" of the Proxy Statement relating to the May 20, 1999, annual meeting of shareholders of the Company, to be filed within 120 days after the end of the fiscal year covered by this Form 10-K Report, is incorporated herein by reference.

##### Executive Officers of the Registrant

The following table and the notes thereto set forth information with respect to the executive officers of the Registrant, including their names, ages, positions with the Registrant and business experience during the last five years:

<u>Name</u>	<u>Age</u>	<u>Position with the Registrant and date of election (1)</u>
Nicholas DeBenedictis	53	President and Chairman (May 1993 to present); President and Chief Executive Officer (July 1992 to May 1993); Chairman and Chief Executive Officer, Philadelphia Suburban Water Company (July 1992 to present); President, Philadelphia Suburban Water Company (February 1995 to January 1999) (2)
Morrison Coulter	62	President, Philadelphia Suburban Water Company (January 1999 to present); Senior Vice President - Production, Philadelphia Suburban Water Company (February 1996 to January 1999); Vice President - Production, Philadelphia Suburban Water Company (April 1989 to February 1996) (3)
Richard R. Riegler	52	Senior Vice President - Engineering and Environmental Affairs (January 1999 to present); Senior Vice President - Operations, Philadelphia Suburban Water Company (April 1989 to January 1999) (4)
Roy H. Stahl	46	Senior Vice President and General Counsel (April 1991 to present) (5)
Michael P. Graham	50	Senior Vice President - Finance and Treasurer (March 1993 to present) (6)

(1) In addition to the capacities indicated, the individuals named in the above table hold other offices or directorships with subsidiaries of the Registrant. Officers serve at the discretion of the Board of Directors.

(2) Mr. DeBenedictis was Secretary of the Pennsylvania Department of Environmental Resources from 1983 to 1986. From December 1986 to April 1989, he was President of the Greater Philadelphia Chamber of Commerce. Mr. DeBenedictis was Senior Vice President for Corporate and Public Affairs of Philadelphia Electric Company from April 1989 to June 1992.

(3) Mr. Coulter was Superintendent of Pumping Facilities from 1971 to 1982. From 1982 to 1987 he served as Manager - Electrical/Mechanical Department and from 1987 to 1989 he was Assistant Vice President - Production.

Item 10, Continued

(4) Mr. Riegler was Chief Engineer of Philadelphia Suburban Water Company from 1982 to 1984. He then served as Vice President and Chief Engineer from 1984 to 1986 and Vice President of Operations from 1986 to 1989.

(5) From January 1984 to August 1985, Mr. Stahl was Corporate Counsel, from August 1985 to May 1988 he was Vice President - Administration and Corporate Counsel of the Registrant, and from May 1988 to April 1991 he was Vice President and General Counsel of the Registrant.

(6) Mr. Graham was Controller of the Company from 1984 to September 1990, and from September 1990 to May 1991 he was Chief Financial Officer and Treasurer. From May 1991 to March 1993, Mr. Graham was Vice President - Finance and Treasurer.

Item 11. Executive Compensation

The information appearing in the sections captioned "Executive Compensation" of the Proxy Statement relating to the May 20, 1999, annual meeting of shareholders of the Company, to be filed within 120 days after the end of the fiscal year covered by this Form 10-K Report, is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information appearing in the sections captioned "Ownership of Common Stock" of the Proxy Statement relating to the May 20, 1999, annual meeting of shareholders of the Company, to be filed within 120 days after the end of the fiscal year covered by this Form 10-K Report, is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

The information appearing in the sections captioned "Certain Relationships and Related Transactions" of the Proxy Statement relating to the May 20 1999, annual meeting of shareholders of the Company, to be filed within 120 days after the end of the fiscal year covered by this Form 10-K Report, is incorporated herein by reference.

#### PART IV

##### Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

Financial Statements. The following is a list of the consolidated financial statements of the Company and its subsidiaries and supplementary data incorporated by reference in Item 8 hereof:

Management's Report

Independent Auditors' Report

Consolidated Balance Sheets - December 31, 1998 and 1997

Consolidated Statements of Income - 1998, 1997 and 1996

Consolidated Statements of Cash Flow - 1998, 1997, and 1996

Consolidated Statements of Capitalization - December 31, 1998 and 1997

Notes to Consolidated Financial Statements

Financial Statement Schedules. The financial statement schedules, or supplemental schedules, filed as part of this annual report on Form 10-K are omitted because they are not applicable or not required, or because the required information is included in the consolidated financial statements or notes thereto.

##### Reports on Form 8-K.

Current Report on Form 8-K filed on November 18, 1998, responding to Item 5, Other Events. (Related to the November 16, 1998 Special Meeting of the Company's Shareholders pursuant to the Notice sent on or about October 2, 1998 to all shareholders of record at the close of business on September 18, 1998 concerning the approval of three proposals, including the approval of the merger with Consumers).

Current Report on Form 8-K filed on March 12, 1999, responding to Item 2, Acquisition or Disposition of Assets; Item 5, Other Events; and Item 7, Financial Statements and Exhibits. (Related to the March 10, 1999 consummation of the previously announced agreement to merge Consumers Water Company with and into a wholly-owned subsidiary of PSC).

Exhibits, Including Those Incorporated by Reference. The following is a list of exhibits filed as part of this annual report on Form 10-K. Where so indicated by footnote, exhibits which were previously filed are incorporated by reference. For exhibits incorporated by reference, the location of the exhibit in the previous filing is indicated in parentheses. The page numbers listed refer to page numbers where such exhibits are located using the sequential numbering system specified by Rules 0-3 and 403.

<u>Exhibit No.</u>	<u>EXHIBIT INDEX</u>	<u>Page No.</u>
3.1	Amended and Restated Articles of Incorporation, as amended (1) (Exhibit 3.1)	-
3.2	By-Laws, as amended (17) (Exhibit 3.2)	-
3.3	Amendment to Amended and Restated Articles of Incorporation, as amended, to increase the number of authorized shares to 41,770,819 and to provide that 40,000,000 of such shares be shares of Common Stock (17) (Exhibit 3.3)	-
3.4	Amendment to Amended and Restated Articles of Incorporation, as amended, designating the Series B Preferred Stock (17) (Exhibit 3.4)	-
3.5	Amendment to Section 3.03 and addition of Section 3.17 to Bylaws (19) (Exhibits 1 and 2)	-
3.6	Amendment to Amended and Restated Articles of Incorporation, designating the terms of the Series A Junior Participating Preferred Shares (21) (Exhibit 3.6)	-
3.7	Amendment to Amended and Restated Articles of Incorporation, to increase the number of authorized shares to 101,770,819 and to provide that 100,000,000 of such shares be shares of Common Stock (23) (Annex E)	-
4.1	Indenture of Mortgage dated as of January 1, 1941 between Philadelphia Suburban Water Company and The Pennsylvania Company for Insurance on Lives and Granting Annuities(now First Pennsylvania Bank, N.A.), as Trustee, with supplements thereto through the Twentieth Supplemental Indenture dated as of August 1, 1983 (2) (Exhibits 4.1 through 4.16)	-
4.2	Revolving Credit Agreement between Philadelphia Suburban Water Company and Mellon Bank (East) National Association dated as of February 16, 1990 (3) (Exhibit 4.3)	-
4.3	First Amendment to Revolving Credit Agreement between Philadelphia Suburban Water Company and Mellon Bank N.A. dated as of September 1, 1992 (1) (Exhibit 4.3)	-
4.4	Preferred Stock Agreement between Philadelphia Suburban Water Company and Provident Life and Accident Insurance Company dated as of January 1, 1991 (3) (Exhibit 4.4)	-
4.5	Indenture dated as of July 1, 1988 between Philadelphia Suburban Corporation and the Philadelphia National Bank, as Trustee. (4) (Exhibit 4)	-
4.6	Form of Rights Agreement, dated as of February 19, 1988, between Philadelphia Suburban Corporation and Mellon Bank (East) National Association, as amended by Amendment No. 1. (5) (Exhibit 1)	-
4.7	Agreement to furnish copies of other long-term debt instruments (1) (Exhibit 4.7)	-
4.8	Twenty-first Supplemental Indenture dated as of August 1, 1985 (6) (Exhibit 4.2)	-

# EXHIBIT INDEX, Continued

<u>Exhibit No.</u>		<u>Page No.</u>
4.9	Twenty-second Supplemental Indenture dated as of April 1, 1986 (7) (Exhibit 4.3)	-
4.10	Twenty-third Supplemental Indenture dated as of April 1, 1987 (8) (Exhibit 4.4)	-
4.11	Twenty-fourth Supplemental Indenture dated as of June 1, 1988 (9) (Exhibit 4.5)	-
4.12	Twenty-fifth Supplemental Indenture dated as of January 1, 1990 (10)(Exhibit 4.6)	-
4.13	Twenty-sixth Supplemental Indenture dated as of November 1, 1991 (11) (Exhibit 4.12)	-
4.14	Twenty-seventh Supplemental Indenture dated as of June 1, 1992 (1) (Exhibit 4.14)	-
4.15	Twenty-eighth Supplemental Indenture dated as of April 1, 1993 (12) (Exhibit 4.15)	-
4.16	Revolving Credit Agreement between Philadelphia Suburban Water Company and Mellon Bank, N.A., PNC Bank National Association, First Union National Bank, N.A. and CoreStates Bank, N.A. dated as of March 17, 1994 (12) (Exhibit 4.16)	-
4.17	Twenty-Ninth Supplemental Indenture dated as of March 30, 1995 (14) (Exhibit 4.17)	-
4.18	Thirtieth Supplemental Indenture dated as of August 15, 1995 (15) (Exhibit 4.18)	-
4.19	First Amendment to Revolving Credit Agreement dated as of May 22, 1995, between Philadelphia Suburban Water Company and Mellon Bank, N.A., PNC Bank National Association, First Fidelity National Bank, N.A., Meridian Bank, N.A. dated as of March 17, 1994 (17) (Exhibit 4.19)	-
4.20	Second Amendment to Revolving Credit Agreement dated as of July 21, 1995, between Philadelphia Suburban Water Company and Mellon Bank, N.A., PNC Bank National Association, First Fidelity National Bank, N.A., Meridian Bank, N.A. dated as of March 17, 1994 (17) (Exhibit 4.20)	-
4.21	Third Amendment to Revolving Credit Agreement dated as of December 20, 1996, between Philadelphia Suburban Water Company and Mellon Bank, N.A., PNC Bank National Association, First Union National Bank, N.A., CoreStates Bank, N.A. dated as of March 17, 1994 (17) (Exhibit 4.21)	-
4.22	Thirty-First Supplemental Indenture dated as of July 1, 1997 (18) (Exhibit 4.22)	-
4.23	Fourth Amendment to Revolving Credit Agreement dated as of January 15, 1998, between Philadelphia Suburban Water Company and Mellon Bank, N.A., PNC Bank National Association, First Union National Bank, N.A., and CoreStates Bank, N.A. dated as of March 17, 1994 (21) (Exhibit 4.23)	-

## EXHIBIT INDEX, Continued

<u>Exhibit No.</u>		<u>Page No.</u>
4.24	Rights Agreement, dated as of March 1, 1998 between Philadelphia Suburban Corporation and ChaseMellon Shareholder Services, L.L.C., as Rights Agent (20) (Exhibit 1)	-
4.25	Rights Agreement, dated as of March 1, 1998 between Philadelphia Suburban Corporation and BankBoston, N.A., as Rights Agent	25
10.1	1982 Stock Option Plan, as amended and restated effective May 21, 1992* (1) (Exhibit 10.1)	-
10.2	1988 Stock Option Plan, as amended and restated effective May 21, 1992* (1) (Exhibit 10.2)	-
10.3	Executive Incentive Award Plan, as amended March 21, 1989 and February 6, 1990* (10) (Exhibit 10.3)	-
10.4	Excess Benefit Plan for Salaried Employees, effective December 1, 1989* (10) (Exhibit 10.4)	-
10.5	Supplemental Executive Retirement Plan, effective December 1, 1989* (10) (Exhibit 10.5)	-
10.6	Supplemental Executive Retirement Plan, effective March 15, 1992* (1) (Exhibit 10.6)	-
10.7	1993 Incentive Compensation Plan* (1) (Exhibit 10.7)	-
10.8	Employment letter agreement with Mr. Nicholas DeBenedictis* (1) (Exhibit 10.8)	-
10.9	1994 Incentive Compensation Program* (12) (Exhibit 10.9)	-
10.10	1994 Equity Compensation Plan, as amended by Amendment 1994-1* (16) (Exhibit 10.10)	-
10.11	1995 Incentive Compensation Plan* (13) (Exhibit 10.11)	-
10.12	Placement Agency Agreement between Philadelphia Suburban Water Company and PaineWebber Incorporated dated as of March 30, 1995 (14) (Exhibit 10.12)	-
10.13	Bond Purchase Agreement among the Delaware County Industrial Development Authority, Philadelphia Suburban Water Company and Legg Mason Wood Walker, Incorporated dated August 24, 1995 (15) (Exhibit 10.13)	-
10.14	Construction and Financing Agreement between the Delaware County Industrial Development Authority and Philadelphia Suburban Water Company dated as of August 15, 1995 (15) (Exhibit 10.14)	-
10.15	1996 Annual Cash Incentive Compensation Plan* (16) (Exhibit 13.4)	-
10.16	Amendment 1994-2 to 1994 Equity Compensation Plan, as amended* (17) (Exhibit 10.16)	-
10.17	1997 Annual Cash Incentive Compensation Plan* (17) (Exhibit 10.17)	-
10.18	Agreement among Philadelphia Suburban Corporation, Philadelphia Suburban Water Company and Nicholas DeBenedictis, dated as of January 1, 1997* (17) (Exhibit 10.18)	-

## EXHIBIT INDEX, Continued

<u>Exhibit No.</u>		<u>Page No.</u>
10.19	Agreement among Philadelphia Suburban Corporation, Philadelphia Suburban Water Company and Roy H. Stahl, dated as of January 1, 1997* (17) (Exhibit 10.19)	-
10.20	Agreement among Philadelphia Suburban Corporation, Philadelphia Suburban Water Company and Michael P. Graham, dated as of January 1, 1997* (17) (Exhibit 10.20)	-
10.21	Agreement among Philadelphia Suburban Corporation, Philadelphia Suburban Water Company and Richard R. Riegler, dated as of January 1, 1997* (17) (Exhibit 10.21)	-
10.22	Agreement among Philadelphia Suburban Corporation, Philadelphia Suburban Water Company and Morrison Coulter, dated as of January 1, 1997* (17) (Exhibit 10.22)	-
10.23	Philadelphia Suburban Corporation Amended and Restated Executive Deferral Plan* (17) (Exhibit 10.23)	-
10.24	Philadelphia Suburban Corporation Deferred Compensation Plan Master Trust Agreement with PNC Bank, National Association, dated as of December 31, 1996* (17) (Exhibit 10.24)	-
10.25	First Amendment to Supplemental Executive Retirement Plan* (17) (Exhibit 10.25)	-
10.26	Placement Agency Agreement between Philadelphia Suburban Water Company and A.G. Edwards and Sons, Inc., Janney Montgomery Scott Inc., HSBC Securities, Inc., and PaineWebber Incorporated (18) (Exhibit 10.26)	-
10.27	1998 Annual Cash Incentive Compensation Plan* (21) (Exhibit 10.27)	-
10.28	Philadelphia Suburban Corporation Director Deferral Plan*	83
10.29	Amendment No. 1 dated as of February 1, 1999 to Agreement among Philadelphia Suburban Corporation, Philadelphia Suburban Water Company and Nicholas DeBenedictis, dated as of January 1, 1997*	90
10.30	Amendment No. 1 dated as of February 1, 1999 to Agreement among Philadelphia Suburban Corporation, Philadelphia Suburban Water Company and Roy H. Stahl, dated as of January 1, 1997*	91
10.31	Amendment No. 1 dated as of February 1, 1999 to Agreement among Philadelphia Suburban Corporation, Philadelphia Suburban Water Company and Michael P. Graham, dated as of January 1, 1997*	92
10.32	Amendment No. 1 dated as of February 1, 1999 to Agreement among Philadelphia Suburban Corporation, Philadelphia Suburban Water Company and Richard R. Riegler, dated as of January 1, 1997*	93
10.33	Amendment No. 1 dated as of February 1, 1999 to Agreement among Philadelphia Suburban Corporation, Philadelphia Suburban Water Company and Morrison Coulter, dated as of January 1, 1997*	94

## EXHIBIT INDEX, Continued

<u>Exhibit No.</u>		<u>Page No.</u>
10.34	1999 Annual Cash Incentive Compensation Plan*	95
10.35	The Philadelphia Suburban Corporation 1994 Equity Compensation Plan (as Amended and Restated Effective March 3, 1998)* (22) (Exhibit A)	-
10.36	Amendment 1998-1 to The Philadelphia Suburban Corporation 1994 Equity Compensation Plan* (23) (Annex F)	-
13.1	Selected portions of Annual Report to Shareholders for the year ended December 31, 1993 incorporated by reference in Annual Report on Form 10-K for the year ended December 31, 1993 (12) (Exhibit 13.1)	-
13.2	Selected portions of Annual Report to Shareholders for the year ended December 31, 1994 incorporated by reference in Annual Report on Form 10-K for the year ended December 31, 1994 (13) (Exhibit 13.2)	-
13.3	Selected portions of Annual Report to Shareholders for the year ended December 31, 1995 incorporated by reference in Annual Report on Form 10-K for the year ended December 31, 1995 (16) (Exhibit 13.3)	-
13.4	Selected portions of Annual Report to Shareholders for the year ended December 31, 1996 incorporated by reference in Annual Report on Form 10-K for the year ended December 31, 1996 (17) (Exhibit 13.4)	-
13.5	Selected portions of Annual Report to Shareholders for the year ended December 31, 1997 incorporated by reference in Annual Report on Form 10-K for the year ended December 31, 1997 (21) (Exhibit 13.5)	-
13.6	Selected portions of Annual Report to Shareholders for the year ended December 31, 1998 incorporated by reference in Annual Report on Form 10-K for the year ended December 31, 1998	100
21.	Subsidiaries of Philadelphia Suburban Corporation	143
23.	Consent of Independent Auditors	144
24.	Power of Attorney (set forth as a part of this report)	23
27.	Financial Data Schedule	145

Documents Incorporated by Reference

- (1) Filed as an Exhibit to Annual Report on Form 10-K for the year ended December 31, 1992.
- (2) Indenture of Mortgage dated as of January 1, 1941 with supplements thereto through the Twentieth Supplemental Indenture dated as of August 1, 1983 were filed as an Exhibit to Annual Report on Form 10-K for the year ended December 31, 1983.
- (3) Filed as an Exhibit to Annual Report on Form 10-K for the year ended December 31, 1990.
- (4) Filed as Exhibit 4 to the Registration Statement on Form S-3 filed with the Securities and Exchange Commission on June 14, 1988.
- (5) Filed as Exhibit 1 to the Registration Statement on Form 8-A filed with the Securities and Exchange Commission on March 1, 1988, with respect to the New York Stock Exchange, and on November 9, 1988, with respect to the Philadelphia Stock Exchange.
- (6) Filed as an Exhibit to Annual Report on Form 10-K for the year ended December 31, 1985.
- (7) Filed as an Exhibit to Annual Report on Form 10-K for the year ended December 31, 1986.
- (8) Filed as an Exhibit to Annual Report on Form 10-K for the year ended December 31, 1987.
- (9) Filed as an Exhibit to Annual Report on Form 10-K for the year ended December 31, 1988.
- (10) Filed as an Exhibit to Annual Report on Form 10-K for the year ended December 31, 1989.
- (11) Filed as an Exhibit to Annual Report on Form 10-K for the year ended December 31, 1991.
- (12) Filed as an Exhibit to Annual Report on Form 10-K for the year ended December 31, 1993.
- (13) Filed as an Exhibit to Annual Report on Form 10-K for the year ended December 31, 1994.
- (14) Filed as an Exhibit to Quarterly Report on Form 10-Q for the quarter ended March 31, 1995.
- (15) Filed as an Exhibit to Quarterly Report on Form 10-Q for the quarter ended September 30, 1995.
- (16) Filed as an Exhibit to Annual Report on Form 10-K for the year ended December 31, 1995.
- (17) Filed as an Exhibit to Annual Report on Form 10-K for the year ended December 31, 1996.
- (18) Filed as an Exhibit to Quarterly Report on Form 10-Q for the quarter ended June 30, 1997.
- (19) Filed as an Exhibit to Form 8-K filed August 7, 1997.
- (20) Filed as Exhibit 1 to the Registration Statement on Form 8-A filed on March 17, 1998.
- (21) Filed as an Exhibit to Annual Report on Form 10-K for the year ended December 31, 1997.
- (22) Filed as Exhibit A to definitive Proxy Statement dated April 7, 1998.
- (23) Filed as an Annex to Registration Statement on Form S-4 filed on September 11, 1998.

\* Indicates management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PHILADELPHIA SUBURBAN CORPORATION

By /s/ Nicholas DeBenedictis  
Nicholas DeBenedictis  
President and Chairman

Date: March 29, 1999

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Each person in so signing also makes, constitutes and appoints Nicholas DeBenedictis, President and Chairman of Philadelphia Suburban Corporation, Michael P. Graham, Senior Vice President - Finance and Treasurer of Philadelphia Suburban Corporation, and each of them, his or her true and lawful attorneys-in-fact, in his or her name, place and stead to execute and cause to be filed with the Securities and Exchange Commission any and all amendments to this report.

/s/ Mary C. Carroll  
Mary C. Carroll  
Director

/s/ Nicholas DeBenedictis  
Nicholas DeBenedictis  
President and Chairman  
(principal executive officer)  
and Director

/s/ G. Fred DiBona, Jr.  
G. Fred DiBona, Jr.  
Director

/s/ Richard H. Glanton  
Richard H. Glanton  
Director

/s/ Michael P. Graham  
Michael P. Graham  
Senior Vice President-Finance and  
Treasurer (principal financial and  
accounting officer)

/s/ Alan Hirsig  
Alan Hirsig  
Director

/s/ John F. McCaughan  
John F. McCaughan  
Director

/s/ Richard L. Smoot  
Richard L. Smoot  
Director

/s/ Harvey J. Wilson  
Harvey J. Wilson  
Director